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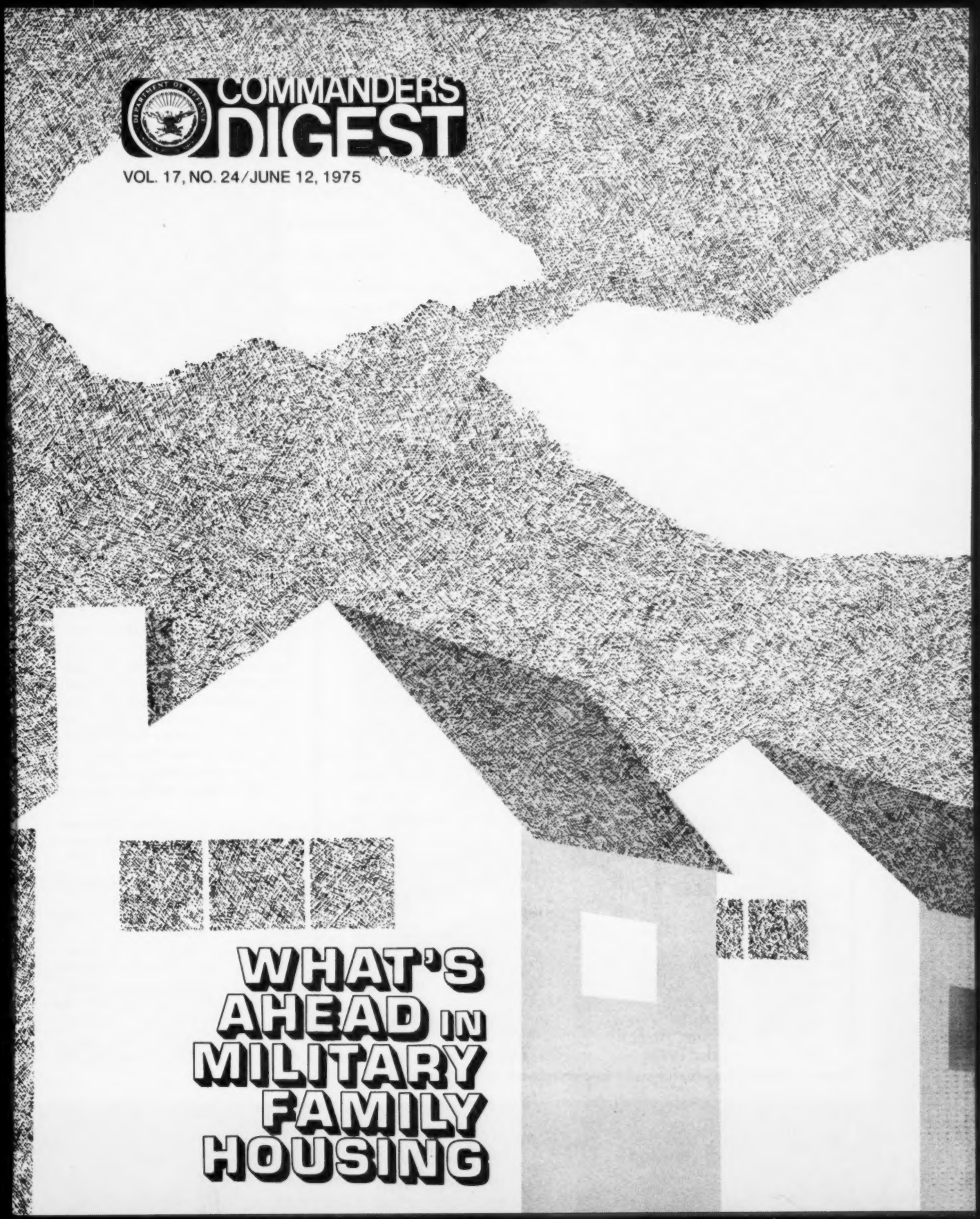


WHAT'S AHEAD IN MILITARY FAMILY HOUSING

WHAT'S AHEAD IN MILITARY FAMILY HOUSING

By
PERRY J. FLIAKAS
Deputy Assistant Secretary of Defense
(Installations and Housing)

The Military Family Housing Program included in the budget requests reflect the continuing emphasis being placed by the Department of Defense on the welfare of our individual Servicemember. Adequate housing is a morale factor of prime importance. The principal objective of the program, therefore, is to assure that married members of the Armed Forces have suitable housing.

As in the past several years, we are pleased to be able to report continued and significant progress in providing more adequate housing on-base, for upgrading the condition of our existing inventory, and in securing suitable quarters off-base in the community for our military families. The request for authorization for appropriation for FY 1976 amounts to $1,329,237,000. The program we are presenting exceeds this amount by $35,000,000, which represents savings we have recouped from prior year authorized programs. For the transition period the request is for $310,639,000.

A comparison of this year's proposed appropriation with pertinent element breakouts for a 5-year span is shown in the following table. You will note that the trend and growth patterns are significant:

The FY 1976 appropriation request of $1,329.2 million compares with $1,250.8 million appropriated for FY 1975, an increase of $78.4 million or approximately 6 per cent. The proposed construction of 3,444 new family housing units is significantly less than the approximate average of 9,500 units per year over the last five years. This is primarily due to the significant progress made toward reducing the programmable deficit. As a consequence, we have changed our primary area of concentration from new construction to improving the units we currently have in the inventory. Accordingly, there is a total of $120.4 million in the program for

FAMILY HOUSING DEFENSE SUMMARY OF SELECTED APPROPRIATED AMOUNTS

	Enacted				Request
	FY 1972	FY 1973	FY 1974	FY 1975	FY 1976
New Construction ($000)	$255,740[1]	$ 270,987	$ 289,876	$ 238,640	$ 101,723
(No. of Units)	(9,862)[1]	(11,938)[2]	(10,691)[3]	(6,802)[5]	(3,444)[6]
Mobile Home Facilities ($000)	7,280	5,387	5,700	1,848	-0-
(No. of Spaces)	(2,350)	(1,403)	(1,340)	(440)	-0-
Improvements ($000)	31,668	39,498	62,510	60,000	120,357
Leasing ($000)	33,589	37,643	44,703	65,540	92,229
(No. of leases, end year)	(13,482)	(13,964)	(17,262)	(21,711)	(23,500)
Operation & Maintenance ($000)	440,706	535,842	626,779[4]	707,627	854,205
Homeowners Assistance ($000)	7,575	-0-	7,000	5,000	-0-
Total Appropriation ($000)	$952,600	$1,064,046	$1,199,405	$1,250,790	$1,329,237

improvement and alteration of existing public quarters to modernize and renovate older and deteriorated units. Included within the improvement program is $23.2 million specifically designated for energy conservation projects.

These funds will provide for such items as storm windows and doors, weather-stripping, insulation, installation of water saving shower heads, and installation of limited range thermostats. Although we have included energy saving measures in our construction programs for housing, this is the first year when we are highlighting a program to retrofit our existing inventory of housing for energy saving measures. We feel that these measures will greatly assist in the further conservation of utilities.

The residual balance of the improvement program, close to $100 million as opposed to a $60 million request last year, will be used to reduce our backlog of necessary improvements to our existing inventory. The Military Departments have estimated a backlog of close to $750 million in necessary

[1] Included 430 units for $11,070,000 for Safeguard sites enacted in the DoD Appropriation Act, P.L. 92-204.
[2] Included 218 units for Safeguard site authorized in P.L. 92-436, but which were to be financed from savings, and for which no appropriation was made.
[3] Included 150 units at Keflavik, Iceland, authorized in P.L. 93-166, but for which no appropriation was made.
[4] Includes pay raise supplemental appropriated in P.L. 93-305.
[5] Includes 2 units at Warsaw, Poland, authorized in P.L. 93-552, but which will be financed under Special Foreign Currency Program.
[6] Includes 3 units at Cairo, Egypt, for which authorization is requested, but which will be financed under the Special Foreign Currency Program.

improvements to upgrade our inventory. There is no other single program that will pay quicker dividends and provide such substantial benefits in terms of increased morale to the military families who occupy on-base housing, as well as serve to preserve and increase the useful life of a sizable investment in our inventory.

The balance of the FY 1976 request covers minor construction and planning, annual costs for leasing, operation and maintenance, and debt payment. Total appropriations requested for FY 1976 are $228,300,000 for the construction requirements, and $1,100,937,000 for the operation and maintenance (O&M) and debt payment portion, for a total of $1,329,237,000. Construction and O&M appropriations for the transition period are requested in the amounts of $1,900,000 and $308,739,000 respectively for a total of $310,639,000.

Now I would like to discuss briefly some of the highlights of this year's program.

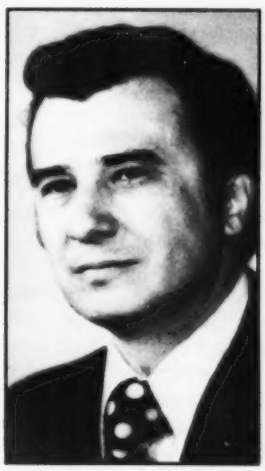
Family housing at military installations provides living facilities with a certain amount of privacy (below) as well as playground facilities for the children.

Perry J. Fliakas became Deputy Assistant Secretary of Defense (Installations and Housing) in June 1974.

He was born in Washington, D.C., on August 15, 1926, and received his bachelor of science degree in business and public administration from Georgetown University, Washington, D.C., in 1949.

Fliakas has served in progressively responsible positions with the Department of Defense since 1950.

From August 1969 until his appointment as Deputy Assistant Secretary of Defense he served in supply management, budget and programming including Director for Construction, OASD (Comptoller) and Deputy Military Assistance Comptroller, OSAD (International Security Affairs).



As in previous years, major emphasis in on-base construction is toward housing for enlisted and junior officers. Of the more than 3,400 units proposed for construction by the three Military Departments, 98 per cent are programmed for these personnel categories.

Programming Policy

Since it is our policy to rely on the local civilian housing market in communities near military installations as the primary source of family housing, we program new construction only when community support is limited or inadequate as to cost, distance, or quality. Particular care has been taken in the programming review to assure that our request for new construction reflects requirements only at hardcore installations. Because of this concentration on hardcore bases, and continued reliance on the local community, the DoD-wide buildable programmable deficit is now estimated to be only about 10,000 units. An additional 9,000 units are estimated as a deficit for the lower pay grades (E-1 through E-3).

As in previous years, we continue to place major emphasis in our on-base construction toward housing enlisted personnel and junior officers. Of the 3,429 units proposed for construction by the three Military Departments, 98 per cent are programmed for these personnel categories.

Because the deficit of adequate housing has now been reduced to a manageable level, we believe that we have turned the corner with regard to large scale new housing construction programs on a DoD-wide basis. Therefore, in the next five years we will concentrate on:

- A select and more modest new construction program to meet specialized needs, such as realignments or consolidation of forces, new bases or locations;
- Upgrading and modernization of the existing DoD inventory;
- Special programs in select areas such as "special risk insurance" in cooperation with the Department of Housing and Urban Development, to stimulate community growth in nonmetropo¹itan areas at or around military installations; and,
- Leasing or lease-construct agreements in overseas areas where feasible.

HUD Military Programs

As you know, it was intended at one time, that the primary housing assistance for the lower enlisted grades, E-1s through E-3s, be through the implementation of the Section 236 low income community housing program as provided by Section 120 of the Housing and Urban Development Act of 1970. An interdepartmental agreement was consummated with Housing and Urban Development/ Federal Housing Administration (HUD/FHA) in March 1971 and we aggressively pursued the identification of specific locations and allocations from FHA for these programs. However, of the over 18,000 units proposed by DoD, only 6,937 were cleared by HUD for development before the program was curtailed. This number was further reduced to 5,851 units due to lack of military requirements. Nine hundred of these are still under construction. Of the 4,951 units available for occupancy, only 3,212 (65 per cent) are occupied by military families.

The Department of Defense has also forwarded to HUD a draft interdepartmental agreement which would implement the provisions of Section 318 of the Housing and Community Development Act of 1974. This legislation permits the Secretary of HUD to insure housing in military impacted areas previously considered by HUD to be uninsurable. This would stimulate community growth and mitigate the need for on-base construction with appropriated funds. To date, I can report no favorable reaction from HUD on our proposed agreement. However, we will continue to pursue the matter as a vital part of our program and policy to look primarily to the community to supply our housing needs.

Acquisition of Housing Units

Section III of the "Military Construction Appropriation Act of 1975" (P.L. 93-636) provides authority to use FY 1975 appropriations for family housing new construction to purchase ". . . sole interest in privately-owned and Federal Housing Commissioner-held family housing units if the Secretary of Defense determines it is in the best interest of the Government to do so . . . ." In implementation of this new legislation, we have held several meetings with the property disposal section of HUD. We have provided them with our requirements for new housing and they have been screening our requirements versus their surplus properties. We will continue our liaison with HUD on this matter. Additionally, we, in conjunction with the Military Departments, are developing criteria to be used in evaluating the feasibility of acquiring privately-owned existing housing units.

Domestic and Foreign Leasing Programs

The domestic leasing program authorizes under specific criteria and cost limitations the leasing of housing in the civilian community in the United States, Puerto Rico, and Guam for assignment to military personnel as public quarters. We consider this program an important supplement to our balanced effort for the acquisition

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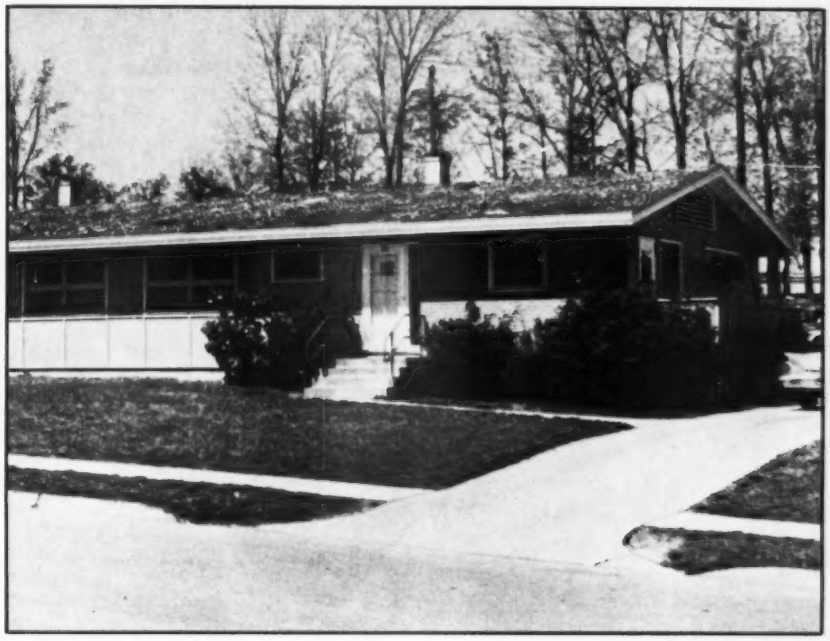
of adequate housing in the community and on-base. Accordingly, we have proposed increases to the statutory average cost limitation of rental costs, and are recommending permanent authority for leasing vice the requirement for annual renewal. The increased costs are budgeted in FY 1976 at $2.5 million.

Foreign leasing of family housing is authorized under the general authority of 10 USC 2675. We believe that leasing, particularly lease-construct agreements in select overseas locations, represents a viable potential for producing additional housing for military families in foreign countries with limited risk to the U.S. Government. Accordingly, this year we are proposing an increase to 15,000 units. The FY 1976 increase of 3,000 units is primarily to alleviate the severe deficit of housing for Army troops in Germany. The proposed increases in statutory cost limitations are based on an estimated escalation in rents of seven per cent in foreign countries. The increase in numbers of leases and costs are budgeted in FY 1976 at $24.4 million.

We believe that this program, administered wisely in selected overseas locations, will provide suitable family housing for our Servicemember at a minimum risk to the U.S. Government, especially in areas where U.S. military tenure could be subject to change.

Proposed Cost Limitation On New Construction

This year we propose that the statutory cost limitation on construction of new housing units be established as a square foot limitation on the housing unit itself varied by the appropriate area construction cost index. We propose a cost limitation of $24 per net square foot to the five foot line multiplied by the appropriate area construction cost index, excluding the costs of site preparation, design, supervision, inspection and overhead. For example, the $24 cost limitation would apply in Washington, D.C. or any other area with an area index of 1.0.



Company grade officer housing located in Piney Hills, Fort Leonard Wood, Missouri.

Currently, new construction of housing is limited by a program average for the cost of housing and by a maximum cost on any one unit. These limitations are further divided by an average cost for overseas construction and an average cost for construction in the continental United States.

We feel it is appropriate to propose a change in the statutory limitation this year for a number of reasons. First, as I mentioned previously, our new construction program is greatly diminished over the magnitude of the new construction programs of previous years. We anticipate that future years programs will be on the order of the FY 1976 program or smaller. While a cost limitation based on average cost permits some flexibility to account for bid fluctuations on a large program, a program average on a small program reduces this flexibility. For example, in this year's program, the Department of the Air Force has only one project for new construction of housing. A program average imposed on the Air Force would become an absolute

The FY 76 Military Family Housing program proposes the construction of more than 3,400 new family housing units, significantly less than the approximately average of 9,500 units per year over the last five years.

ceiling on that project, hampering the orderly execution of that housing project.

A major advantage of the square foot limitation is that it permits us to build a standardized quality house without penalizing the house construction if we should run into unusual site development problems and their attendant costs. Currently, if a project encounters unanticipated site development costs, we may have to "strip" the house in order to complete the project.

We also feel that a square foot limitation will be more meaningful to the contractors who construct family housing, as they normally develop their cost estimates based on a square foot cost. Finally, the square foot limitation would permit us to place all projects out for bid simultaneously, as each project would be measured against the statutory limitation. Currently, we must delay some of the high cost projects until we have bid information on other projects to determine if the high cost projects will fit within the average. This hampers the orderly execution of the program.

We feel that establishing a statutory square foot cost limitation will provide us the necessary flexibility to execute the housing construction program in an efficient and orderly manner and still retain the necessary Congressional control over the program. We request the Committee's support of this new proposed cost limitation on new construction of family housing.

Operation and Maintenance

On the overview of the Defense Military Construction Program, the recent rapid rise in utility costs are hampering the funding of other necessary work—primarily maintenance and repairs. In the current year, FY 1975, we estimate we will have to transfer $85 to $95 million into the operations category of the family housing management account in order to pay our utility bills. Our main source of funds available to defray these unexpected costs is to defer planned maintenance, thus increasing our backlog of deferred maintenance which was estimated at $196 million as of June 30, 1974.

When the FY 1976 budget was prepared in the fall of 1974, the extent of the utility increases was not fully evident. The full impact of utility increases on the FY 1976 family housing operation and maintenance program is somewhat difficult to predict since it is farther in the future. However, it now appears that utilities will cost about $321 million in FY 1976 instead of the $260 million reflected in the FY 1976 budget. As a result of having to use maintenance funds to pay increased utility costs, it now appears that the backlog of deferred maintenance will increase to $278 million or more by June 30, 1976.

This serious increase in the backlog will cost more money the longer the work is deferred because of increasing costs of labor and material and the distinct probability of structural or equipment failure which must be remedied through more costly emergency repairs.

Conclusion

I have touched briefly on the main elements of this year's Military Family Housing program. The Department of Defense is deeply committed to the housing needs of the Military and we will continue to develop and recommend programs to meet those needs.

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